

**COMMITTEE ON GOVERNMENT REFORM**  
**SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, FINANCE AND ACCOUNTABILITY**



*OPENING STATEMENT OF*  
**CHAIRMAN TODD RUSSELL PLATTS**  
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When accounting scandals shook the U.S. economy early this decade, Congress responded by placing stringent new accounting requirements on publicly-traded companies. The legislation, known as Sarbanes-Oxley, put responsibility for financial information squarely in the hands of managers. To ensure that investors could rely on financial reports, Sarbanes-Oxley required companies to document the safeguards they have in place to prevent errors or fraud – commonly known as “internal controls.”

Internal controls are the checks and balances that help managers detect and prevent problems. They can be as simple as computer passwords or having a manager sign off on a time sheet, or as complex as installing software to track spending and detect spikes that signal trouble. Internal controls provide a foundation for accountability; and, while they are important in the private sector, sound controls are imperative in government. Public trust depends on nothing less.

Glaring internal controls problems in the Federal government have made headlines recently – from the Office of Management and Budget reporting \$45 billion in mistaken payments in government programs to soldiers being paid incorrectly while serving in harm’s way.

When audits revealed egregious internal controls problems at the Department of Homeland Security, this Subcommittee proposed and successfully enacted legislation to require DHS management to take responsibility for improving internal controls – and to have an auditor attest to those improvements. In light of this legislation and the standards for the private sector under Sarbanes-Oxley, OMB re-examined controls for Federal agencies.

I applaud the Administration for this forward-looking action and for employing a collaborative approach --using information gleaned from a committee of agency Chief Financial Officers and Inspectors General and working with the Government Accountability Office. As a result of this collaboration, the new guidance was issued in December 2004. Like Sarbanes-Oxley and the requirements at DHS, the revised guidance puts more responsibility on agency management and clearly defines the steps that need to be taken – and documented – to ensure that internal controls are sound. This hearing will look at what prompted these changes and how they will impact agency management.

We are pleased to be joined today by several witnesses who were instrumental in developing the new guidance: The Honorable **Chris Burnham**, Assistant Secretary for Resource Management and Chief Financial Officer at the U.S. Department of State and a Member of the Chief Financial Officer Council, The Honorable **Jack Higgins**, Inspector General at the U.S. Department of Education, and a Member of the President’s Council on Integrity and Efficiency, and The Honorable **Otto Wolff**, Chief Financial Officer and Assistant Secretary for Administration at the Department of Commerce and a Member of the Chief Financial Officer Council. Mr. **Jeff Steinhoff**, Managing Director of Financial Management and Assurance at the U.S. Government Accountability Office joins these Administration witnesses. I look forward to your testimony.